



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Interim Chief Executive Officer

May 8, 2015

To: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Pursuit of County Position on Legislation**
 - **Pursuit of County Position to Oppose SB 661 (Hill).** This measure would transfer responsibility for aircraft tax appraisals from county assessors to the State Board of Equalization, effective July 1, 2017. Therefore, unless otherwise directed by the Board, consistent with existing policy to minimize the adverse impact of State actions on the County, and policy to preserve the County's property tax, sales tax, locally-imposed taxes or fees or Vehicle License Fee revenue base, **the Sacramento advocates will oppose SB 661.**
- **Status of County-Sponsored Legislation**
 - **County-sponsored AB 1119 (Rendon)** - related to county rights to object and to challenge public utility projects proposed by other jurisdictions, passed the Assembly Local Government Committee on May 6, 2015.

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- **Status of County-Advocacy Legislation**

- **County-supported SB 321 (Beall)** - related to adjustment of the gas tax rate, passed the Senate Appropriations Committee on May 4, 2015.
- **County-supported SB 485 (Hernandez)** - related to the management and treatment of stormwater and dry weather runoff by sanitation districts in Los Angeles County, passed the Senate Governance and Finance on May 6, 2015.

Pursuit of County Position on Legislation

SB 661 (Hill), which as amended on April 13, 2015, would transfer the responsibility for aircraft tax appraisals from county assessors to the State Board of Equalization (BOE), effective July 1, 2017. This measure would require the BOE to apply the same calculation methodology for the assessments currently used by assessors, and require revenues received from the assessments to continue to be allocated to the impacted counties.

Currently, airline carriers are subject to personal and real property tax assessments. In 2006, county assessors and the airlines developed the existing assessment framework. Specifically, the process: 1) established a valuation methodology for each type of aircraft (e.g. passenger travel, air cargo, etc.) that also accounted for depreciation; 2) streamlined administration of the assessments by filing a consolidated statement with a single lead county, eliminating the need to file property statements with each county; and 3) implemented mandatory statewide audits of airlines every four years by the designated lead county. The current process is scheduled to sunset on June 30, 2016.

According to the Office of the Assessor, SB 661 would have significant implications to the County General Fund. In 2014, the County received approximately \$6 million in tax revenue for aircraft assets valued at over \$3.0 billion. The Senate Governance and Finance Committee analysis of SB 661 notes that while this measure would transfer the responsibility for assessing airline personal property to the BOE, local jurisdictions would continue to be responsible for assessing the airlines' real property. SB 661 may establish a precedent for the transfer of future assessment responsibilities to the BOE and bifurcate the existing assessment process. This could have the unintended consequence of increased operational costs for the State and local governments.

Opponents of SB 661 raise concerns that removing local assessment and oversight could be problematic given that the BOE is an elected tax appeals board body that would act as both taxing agent and the assessment appeals board. The opponents indicate that this would remove important set of checks and balances from the existing assessment framework which county assessors are currently subject to under the existing process.

This office and Office of the Assessor oppose SB 661. Therefore, unless otherwise instructed by the Board, consistent with existing policy to minimize the adverse impact of State actions on the County, and policy to preserve the County's property tax, sales tax, locally-imposed taxes or fees, or Vehicle License Fee revenue base, **the Sacramento advocates will oppose SB 661.**

SB 661 is supported by numerous entities including: Alaska Airlines; American Airlines; California Chamber of Commerce; California Taxpayers Association; Delta Airlines, State Board of Equalization; Southwest Airlines; and United Airlines.

The bill is opposed by: the California State Association of Counties; California Tax Reform Association; County of Santa Clara; Santa Clara County Assessor Larry Stone; and the California Assessor's Association.

SB 661 is similar to previous County-opposed measures including SB 593 of 2003 which failed to pass out of the Senate.

SB 661 is scheduled for a hearing in the Senate Appropriations Committee on May 11, 2015.

Status of County-Sponsored Legislation

County-sponsored AB 1119 (Rendon), which as introduced on February 27, 2015, would grant counties the same rights as cities to object to and to challenge public utility projects proposed by other jurisdictions that would encroach on streets within the County's unincorporated areas, passed the Assembly Local Government Committee by a vote of 9 to 0 on May 6, 2015. This measure now proceeds to the Assembly Floor.

Status of County-Advocacy Legislation

County-supported SB 321 (Beall), which as amended on April 23, 2015, would: 1) for FY 2015-16, and each fiscal year thereafter, require the Board of Equalization (BOE) to adjust the motor vehicle fuel tax rate to generate an amount of revenue equal to the amount of revenue loss attributable to the sales and use tax exemption based on

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estimates that reflect the combined average of the actual fuel price over the previous four fiscal years and the estimated fuel price for the current fiscal year; and 2) authorize the BOE to adjust the fuel tax rate more frequently, if the amount of revenue being generated will be significantly different than previously projected, passed the Senate Appropriations Committee by a vote of 7 to 0 on May 4, 2015. This measure now proceeds to the Senate Floor.

County-supported SB 485 (Hernandez), which as introduced on February 26, 2015, would authorize sanitation districts in Los Angeles County to acquire, construct, operate, maintain, and furnish facilities for the diversion, management and treatment of stormwater and dry weather runoff, passed the Senate Governance and Finance by a vote of 7 to 0 on May 6, 2015. This measure now proceeds to the Senate Floor.

We will continue to keep you advised.

SAH:JJ:MR
VE:IGEA:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants